

Committee on Resources

Subcommittee on Fisheries Conservation, Wildlife and Oceans

Witness Statement

Testimony of

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Mr. Chairman and members of the Subcommittee, thank you for the opportunity to provide testimony on the Pribilof Islands Transition Act of 1999 which is designed to complete the economic transition of the Pribilof Islands from fur sealing to fishing.

On behalf of the City of St. Paul, I have been asked to provide your committee with an overview of the assumptions for economic development that were made by the federal government and others at the time of the transition in 1983 and the extent to which these assumptions have been fulfilled. I have also been asked to outline the community's development goals, the remaining infrastructure requirements needed to achieve these goals, and how these goals are consistent with federal and state management of the Bering Sea fishery.

I. Executive Summary:

- The success of the economic transition from fur sealing to fishing in the Pribilof Islands was premised on the construction of harbors that would attract investment from the fishing industry.
- Studies performed prior to phase-out indicated that the \$20 million trust fund was far less than the identified needs and that the fund would allow the communities to survive economically until the harbors were in place. If this scenario succeeded then the significant infrastructure needs resulting from the federal government's withdrawal would need to be addressed and would have to be funded from non-local sources or through private sector economic development.

- However, as a latecomer to the development of the Bering Sea fisheries, private sector investment on St. Paul has been limited leaving it overly reliant on the crab fisheries and forcing the community to become heavily indebted to bring federal infrastructure up to code.
- The proposed legislation will help to rectify these imbalances, facilitate the development of a sustainable and diversified economy on St. Paul, and is consistent with federal fisheries management policies.

II. Background:

I have worked under contract as the City Planner for the City of St. Paul since 1982 in strategic planning management, coastal and fisheries economic development, community development, grants and financing of public projects and infrastructure, land use and coastal resource planning, and port and harbor development. In this capacity, I have had an active day-to-day role in formulating and implementing the policies necessary to develop a "stable, self-sufficient, enduring, and diversified, economy not dependent on sealing" on St. Paul Island as mandated by the 1983 Fur Seal Act Amendments.

In this regard it is my professional opinion that since 1983, and in particular since 1990, when the St. Paul harbor was completed, the community of St. Paul has been largely successful in developing a single sector economy not dependent on sealing. However, this success has come at a very high financial cost to the residents of St. Paul Island. There are still considerable infrastructure needs related to the phase-out of NMFS' operations and the island's economy is far from being "stable, self-sufficient, enduring, and diversified."

III. The NMFS Phaseout in 1983 and the Trust Fund:

A. Assumptions:

NMFS phased out its operations on the Pribilof Islands in 1983, pursuant to the Fur Seal Act Amendments enacted that same year, leaving behind substandard facilities and contaminated sites. In order to facilitate the transition and "to promote the development of a stable, self-sufficient, enduring, and diversified economy not dependent on sealing" a \$20 million trust fund was established, of which \$12 million were allocated to St. Paul Island and \$8 million to St. George Island.

Given the proximity of the fisheries and the lack of alternative resources, it was assumed that the development of an "economy not dependent on sealing" meant a fisheries-based economy, and to this effect both islands commenced projects to construct harbors that would attract private investment from the fishing industry. It was expected that if this scenario succeeded then fisheries-based development would drive the economies of both islands. However, many federal employees and national experts predicted that "the experiment would fail and ultimately the people would have to be relocated."

At the time of the NMFS phase-out there was a clear recognition on the part of federal and state officials

that the \$20 million trust fund was inadequate to repair, replace, or bring up to code the facilities left behind by NMFS, and that the issue of NMFS' remaining obligations would need to be revisited at a subsequent date if the communities' economic transition succeeded. During hearings on the Fur Seal Act Amendments on May 19, 1983, John Katz on behalf of the State of Alaska indicated that "the \$20 million trust fund is but a drop in the bucket" considering the immensity of the infrastructure and social requirements of the Pribilof Islands. The Humphrey's Report, commissioned by the City of St. Paul in 1983 to document the actual condition and costs of federal assets proposed for transfer, estimated the actual needs to be around \$150.7 million. In fact, during formal discussions with NMFS, the Pribilof Islands Inter Organization Council and the City of St. Paul officially notified NMFS and the Alaska Congressional delegation that it would not and could not accept property transfer until such property was brought into compliance with federal and state regulations.

The Williams Kuebelbeck Report, prepared at the request of NMFS in 1983, focused on how the \$20 million trust fund could be utilized to subsidize incomes and operations during a transition period until a revenue base was provided by economic development spurred by the completion of the harbors. The Williams Kuebelbeck Report concluded that the \$20 million trust fund would be adequate for income maintenance and possibly a limited phased program of infrastructure repair, but implicitly recognized that the trust fund monies were far less than the needs identified in the Humphrey's Report.

Moreover, the 1983 Kuebelbeck study significantly underestimated the level of operational and income subsidies required to meet the essential economic survival of the community. Forced to rely on limited funds during the early years of the transition, the City went through some extraordinary measures to ensure the survival of the residents such as house-to-house evaluations, and voluntary reductions in work hours and wages to maximize distribution of available funds. For numerous reasons, the scenarios outlined in the Kuebelbeck Report and elsewhere were only partially fulfilled, at least for St. Paul Island.

B. Economic Development Strategies:

The numerous studies that were conducted prior to the NMFS phase-out concluded that St. Paul's location in the middle of the Bering Sea's fishing grounds created the opportunity for development of a viable fishing-based economy. To do this, St. Paul needed a harbor. The unanimous consensus was that if the necessary public investment in a harbor and breakwater were made, the fisheries industry would locate on St. Paul and be profitable. However, the studies failed to address: 1) the level of local effort required to ensure the success of the transition, 2) alternate strategies to maintain the community during a transition period such as oil and gas exploration, or 3) the validity of economic development strategies based on groundfisheries.

As a restricted reservation under NMFS management, the Pribilof Islands did not benefit from the surge of private investment in the fishing industry that resulted in the 1970's and 80's as part of the drive to Americanize the Bering Sea fisheries. As a matter of fact, prior to 1983 NMFS would not allow the local residents, who were fishermen by heritage, to engage in commercial fishing and would not allow the construction of a harbor.

While St. Paul is ideally located as a base and a harbor for access to these fisheries, it was a latecomer in their development. For this reason, the community of St. Paul has had to undertake: 1) upgrading infrastructure left in substandard conditions by NMFS and 2) providing the island with the infrastructure necessary to develop a fisheries-based economy. In the process St. Paul has become one of the most financially-burdened communities in Alaska. These burdens in fact have largely benefited the federal fisheries and the State of Alaska in fisheries business tax revenues (the second highest in the State) while

the local residents face an inordinate level of debt and an unstable single sector economy.

IV. Completing the Transition and the Community's Development Goals:

In order to ensure a successful transition, the imbalances created by NMFS' administration of the Pribilof Islands must be rectified. This will involve: 1) reimbursing the local entities for upgrading and bringing up to standard infrastructure left behind by NMFS after phase-out, and 2) constructing or providing funding for remaining infrastructure requirements necessary to promote the Islands' economic development. Critical in this respect is the need to enable the people of the Pribilof Islands to participate fully in the economic development of the Bering Sea fisheries from which they were excluded for so long.

A. Public Infrastructure Upgrades Assumed by the City of St. Paul:

As the local municipal government, the City of St. Paul was forced to assume the facilities and operations left behind by NMFS in 1983. Many of these facilities were in substandard condition and required upgrades, repairs, or actual replacement. An example of the type of facility and accompanying obligation transferred to the City is the bulk fuel farm facility. The facility NMFS left behind was in substandard condition and was perched on a cliff above the shoreline where it threatened nearby rookeries and seabird nesting sites. As a result of the environmental threat presented by this facility, and since fuel was indispensable to the functioning of the island, the City was forced to develop a permissible bulk fuel facility. The City incurred debt in the amount of \$6.5 million for replacement and relocation of the facility.

Another example requiring the prompt intervention of the City and a substantial financial undertaking was the repairs and upgrades of the three drain fields/sewer system left behind by NMFS. These drain fields and sewer system were not operable and were dumping raw sewage onto the beaches in the vicinity of fur seal rookeries and seabird nesting sites. Financial undertakings such as relocating the fuel farm and replacing the sewer system were beyond the financial capacity or obligations of a small coastal community and more properly belonged to NMFS under transfer of federal facility guidelines. Such local costs have prevented the City from investing in other needed infrastructure or offering the residents the types of municipal services that are offered elsewhere.

The City of St. Paul documented extensively the infrastructure upgrades or replacements that it has undertaken as a result of the phaseout in its Statement of Claims Submitted under P.L. 104-91 in October of 1996. A brief list of the amounts expended is as follows:

Electric System \$1,960,382

Water system \$ 664,117

Asbestos Removal \$ 106,718

Existing landfill \$ 295,484

New power plant \$2,555,534

Public works complex \$2,662,000

4-plexes \$1,240,000

Dental facility \$ 165,760

1997-1998 Additional projects \$3,800,000

TOTAL \$13,449,995

B. Additional Infrastructure Requirements:

In addition, certain infrastructure obligations left by NMFS which have not been addressed and which are required to complete the transition and develop an economy not dependent on sealing, are as follows:

New solid waste management facility \$4 million

Water system and tanks \$1.3 million

Public safety building to meet law and justice regulations \$4.5 million

Seafood outfall to comply with federal regulations for multi-species processing \$3.4 million

Business and recreation facility to meet the needs of local entrepreneurs and residents

\$3.8 million

TOTAL \$17 million

These obligations are also discussed extensively in the Statement of Claims Submitted under P.L. 104-91 by the City in 1996. Of these requirements, one of the most critical is the infrastructure that will permit multispecies processing on St. Paul Island. This may be achieved most feasibly through construction of a seafood outfall as listed above. However, the City has also explored, and is willing to consider, other alternative mechanisms.

C. Community's Development Goals and Participation in the Fisheries:

It must be noted that the effort to reimburse the municipalities for infrastructure upgrades or replacements made on behalf of NMFS, and fulfilling remaining obligations, as part of the "Pribilof Islands Transition Act" is an integral part of the community's development goals. By reducing the communities' financial burdens (again, burdens which were incurred on behalf of the federal government), providing grants for projects that promote economic development, and completing the environmental cleanup, the Pribilof Islands Transition Act will provide the pieces necessary for the development of a sustainable and diversified economy.

The absence of other available resources on the Pribilofs implies that in order to achieve a sustainable and diversified economy St. Paul must overcome its dependence on the ecological, seasonal, and market fluctuations of its single sector economy and develop multispecies processing capabilities. Today St. Paul's economy and the City's yearly revenues are precariously dependent on the fluctuations of the 6 to 14 week crab season. On St. Paul Island, given natural constraints such as the size of the St. Paul Harbor and the limited capacity of the St. Paul fresh-water aquifer, upon which seafood processing is dependent, the magnitude of multispecies processing would probably be limited. However, the volume of such processing would likely be sufficient to provide the community with a diversified and sustainable economic base.

Concerning the community's goals, it must also be pointed out that in the 1995 Community Development Plan, the residents of St. Paul expressed a vision to ensure for themselves and future generations an economic livelihood that was sustainable with regards to the Bering Sea's resources, and a desire to protect the community's Aleut village character by limiting the amount of economic development that may take place on St. Paul Island. This vision complements the need to protect the Bering Sea ecosystem and the rich habitat of marine mammals and seabirds around the Pribilof Islands, and is consistent with the mission entrusted upon the National Oceanic and Atmospheric Administration (NOAA) of working with coastal communities to manage coastal and fisheries resources sustainably.

The development of a diversified processing economy on the Pribilofs is also consistent with the federal fisheries management policies articulated in the Sustainable Fisheries Act of 1996, the American Fisheries Act of 1998, and NMFS' Steller sea lion protective measures implemented in 1999. These acts of Congress and federal regulations intend to promote sustainable management of the fisheries, encourage in-shore processing, and disperse the fishing effort temporally and spatially throughout the Bering Sea in a manner that has less adverse impacts on the entire ecosystem. Multispecies processing in the Pribilofs furthers these federal policies.

V. Conclusion:

The community that I have worked for over the last 17 years views the legislation being considered not only as a culmination of the federally-mandated transition from fur sealing to fishing, but also as a critical piece of what is needed to develop a self-sufficient, sustainable, fisheries-based economy on the Pribilofs that is consistent with the goals of the Fur Seal Act, as amended in 1983, the Sustainable Fisheries Act of 1996, the American Fisheries Act of 1998, and other federal regulations.

As home to the largest remaining Aleut native community in the world, as breeding grounds of the Northern Fur Seal, and over 200 species of birds, and by virtue of their location in the middle of the Bering Sea, within 65 miles of 55% of the U.S. fishery, the Pribilof Islands, are profoundly affected by developments regarding the Bering Sea fisheries. By the same terms, the Pribilofs are ideally situated to be a model for effective fisheries management programs and a model for a native community successfully participating in the national and global economy. By enacting the Pribilof Islands Transition Act and genuinely fulfilling its objectives, this will be possible.

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